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THE *Demand and Price* SITUATION

BUREAU OF AGRICULTURAL ECONOMICS
UNITED STATES DEPARTMENT OF AGRICULTURE

WASHINGTON, D. C.

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SUMMARY

Domestic demand for farm products is expected to continue high during 1953. Employment will be maintained at a high level. Wage rates and consumer incomes probably will rise moderately at least until mid-year, and for the year as a whole are likely to average higher than in 1952. However, economic activity may level off in the latter part of the year if outlays for the defense program are stabilized and if investment spending declines moderately as many expansion programs are completed. Exports of U. S. farm products in the current fiscal year are down from record levels a year ago and probably will continue at reduced levels through 1953.

Farm production in 1953 probably will be maintained around the record 1952 level if growing conditions are not unfavorable. Livestock marketings will increase with the uptrend in cattle production, and marketings of vegetable crops also probably will increase. Prices received by farmers this year are averaging about 3 percent below 1951. Some further easing in prices seems likely for 1953 particularly for meat animals and vegetables.

ECONOMIC FACTORS AFFECTING AGRICULTURE

Item	Unit or base period	1951					1952	
		Year	Sept.	June	July	Aug.	Sept.	
Industrial production <u>1/</u>								
Total.....	1935-39=100:	220	218	204	193	215		
All manufacturers.....	do.	229	228	213	202	225		
Durable goods.....	do.	273	271	247	231	268		
Nondurable goods.....	do.	194	192	187	179	190		
Minerals.....	do.	164	167	147	142	159		
Construction activity <u>1/</u> #								
Contracts, total.....	1947-49=100:	171	147	172	177	176		
Contracts, residential.....	do.	170	168	193	196	198		
Wholesale prices <u>2/</u> #								
All commodities.....	1947-49=100:	115	113	111	112	112		
All commodities except farm and food.....	do.	116	115	113	112	113		
Farm products.....	do.	113	110	107	110	110		
Processed foods.....	do.	111	111	108	110	110		
Prices received and paid by farmers <u>3/</u>								
Prices received, all products.....	1910-14=100:	302	291	292	295	295	288	
Prices paid, interest, taxes, and wage rates.....	do.	281	282	286	286	287	284	
Parity ratio.....	do.	107	103	102	103	103	101	
Consumers' price <u>2/</u> <u>4/</u>								
Total.....	1935-39=100:	186	187	190	191	191		
Food.....	do.	227	227	232	235	236		
Nonfood.....	do.	164	165	168	168	168		
Income								
Nonagricultural payments <u>5/</u> ...	Bil. dol.	233.6	236.4	245.9	243.4	247.0		
Income of industrial workers <u>3/</u> ...	1935-39=100:	428	429	411	396			
Production worker pay rolls <u>2/</u> ...	1947-49=100:	129	131	127	122			
Weekly earnings of factory workers <u>2/</u>								
All manufacturing.....	Dollars	64.88	65.49	67.06	65.80	66.85		
Durable goods.....	do.	69.97	71.01	71.88	69.88	71.37		
Nondurable goods.....	do.	58.50	58.67	61.02	60.87	61.45		
Employment								
Total civilian <u>6/</u>	Millions	61.0	61.6	62.6	62.2	62.4		
Nonagricultural <u>6/</u>	do.	54.0	54.1	54.4	54.6	55.4		
Agricultural <u>6/</u>	do.	7.0	7.5	8.2	7.6	7.0		
Government finance (Federal) <u>7/</u>	Million							
Income, cash operating.....	dollars	4,945	6,555	9,988	3,593			
Outgo, cash operating.....	do.	4,836	4,862	6,978	6,233			
Net cash operating income or outgo.....	do.	+109	+1,693	+3,010	-2,640			

Annual data for the years 1929-51 appear on page 37 of the April 1952 issue of The Demand and Price Situation.

1/ Federal Reserve Board. Construction activity revised to 1947-49 base. 2/ U. S. Department of Labor, Bureau of Labor Statistics. 3/ U. S. Department of Agriculture, Bureau of Agricultural Economics; to convert prices received and prices paid, interest, taxes, and wage rates to the 1935-39 base, multiply by .93110 and .79872 respectively. 4/ Consumers' price index for moderate-income families in large cities. 5/ U. S. Department of Commerce revised figures, seasonally adjusted at annual rates. 6/ U. S. Department of Commerce, Bureau of the Census. 7/ U. S. Department of Treasury. Data for 1951 are on average monthly basis.

Revised series.

Cash receipts from marketings are not likely to exceed the 33.5 billion dollars estimated for 1952. Cost rates for most commodities used in farm production and wage rates are likely to inch gradually upward over the coming year. Interest and tax charges per acre also will be higher. With no increase in cash receipts and costs slightly higher, realized net income of farm operators is likely to be somewhat smaller than the 14.2 billion dollars estimated for 1952 and substantially below 1947 and 1948.

Economic conditions in 1953, as in other recent years, will depend largely on international developments and the size and timing of the defense program. Prospects for further expansion in national security expenditures and for continued relatively large business outlays for new plant and equipment point to a sustained high level of employment and some further increase in consumer income and in consumer buying through most of 1953. However, if the international situation permits the rate of security spending to be stabilized in the second half of 1953, economic activity may level off sometime in the latter part of the year. Increased demands on the economy in prospect for 1953 are likely to be met without strain on productive resources or significant upward pressure on prices.

Current schedules indicate that national security spending will continue to rise from the current rate of 50 billion dollars and may reach an annual rate of 55 to 60 billion in the second half of 1953. Outlays by State and local Governments for roads, schools and other public facilities also are expected to rise moderately over the coming year. Combined spending for goods and services by federal, state and local Governments may level off in the last half of 1953 around 10 to 15 percent above the annual rate of 78 billion dollars for the third quarter of 1952.

Business investment may decline in 1953 as many defense-related expansion programs are completed. Present indications suggest that business investment in plant and equipment this year will total 27.5 billion dollars, 4 percent more than in 1951 and the largest on record. Defense industries show largest increases over last year while some of the nondefense industries show declines. Scheduled expansion programs for basic metals, power, petroleum, chemicals, aircraft and some other defense-related industries probably will hold business investment at a high level well into 1953. However, the productive capacity of industry has been expanded rapidly since Korea and some reduction in total investment spending seems likely.

Construction of residential nonfarm housing probably will total about a million units in 1952. With the recent easing of credit restrictions on housing and the prospect for some rise in income, demand for new homes in 1953 is likely to continue at a high level.

Consumer expenditures for goods and services in the third quarter this year were at an annual rate of 21.6 billion dollars, up 10 billion from a year earlier. The increase from a year ago exceeded the rise in personal disposable income and reflected a reduction in the rate of personal savings from 1951 to 1952. Prospects for a further gradual rise in consumer income after taxes, suspension of restrictions on consumer credit, and recent rebuilding of liquid asset reserves probably will support a continued moderate rise in consumer spending over most of 1953.

Supplies of food and other farm products in 1953 probably will total near record levels if growing conditions are average. Marketings of meat animals are expected to be larger with most of the increase in cattle. Supplies of most truck crops, vegetables and fruits also may be larger in 1953 if weather conditions are average. Indicated food production this year is more than 3 percent larger than in 1951. However, much of the gain is due to the larger wheat crop, some of which will likely go into reserve stocks. Excluding the increase in food grains, indicated food production is around 1 to 2 percent above 1951, about equal to the increase in population. Total agricultural production this year--food and nonfood--is expected to be at a record level around 2 percent larger than in 1951.

Foreign demand for U. S. farm products is declining. Exports in 1952-53 are expected to be down considerably from the previous year and probably will continue at reduced levels through 1953. During the current marketing year relatively large declines are in prospect for wheat, cotton, fruits, grain sorghums, and a number of other commodities. A record wheat crop in Canada and improved production prospects for Western Europe and the Near East point to reduced wheat exports from the United States. Slightly smaller domestic cotton supplies and a moderate increase in domestic demand together with larger foreign stocks of cotton and lower prices of foreign competitive types are expected to result in reduced cotton exports. The shortage of dollar purchasing power in the United Kingdom probably will result in smaller exports of lard and tobacco in the 1952-53 marketing year.

With prospects for a continued large volume of marketings and a sharp reduction in foreign demand for farm products, prices received by farmers in 1953 are expected to average a little lower than this year. Average prices received by farmers in the third quarter of 1952 were near the level of a year earlier. Crop prices, however, averaged 11 percent higher while prices for livestock products were down around 7 percent on the average. Price changes over the past year, in general, reflect a high level of demand for farm products and the varying supply situations for major groups of commodities.

Average prices for motor vehicles and supplies, farm machinery, farm supplies and fertilizer in the third quarter were 2 to 5 percent above a year earlier. Prices paid for feed were up 8 percent but feeder livestock prices were off one-fifth from a year earlier. Mainly because of the decline in feeder cattle prices, average prices paid by farmers for commodities used in farm production were about the same in the third quarter as a year earlier. Wage rates, interest payments and tax charges are higher than a year ago and are likely to rise further in 1953. Increased prices for steel, higher transportation charges, and generally higher wage rates are expected to result in further moderate price increases for many manufactured products used in farm production.

The parity ratio (ratio of the index of prices received by farmers to the index of prices paid by farmers for commodities, interest, taxes, and wage rates), which averaged 107 in 1951, is expected to be near 102 this year and is likely to be around 100 in 1953.

Commodity Highlights

With a rise in cattle slaughter in 1953 expected to more than offset lower hog slaughter, total meat production will be above 1952 and may be at a record peacetime level. Prices received by farmers for cattle are expected to be lower; hogs about the same or a little higher; and lambs a little lower. Total milk production in 1953 may be slightly higher than this year but with a strong demand for dairy products, prices probably will average higher. Production of eggs in 1953 is likely to fall below 1952 and prices probably will average higher than this year. Broiler prices may average slightly below 1952 levels particularly if red meat supplies increase as expected. Output of fats and oils in 1952-53 marketing year will be down, but prospective supplies are large enough to maintain consumption and exports at relatively high levels. Smaller supplies of feed grains are expected to be accompanied by a reduction in grain-consuming livestock. Feed prices in the 1952-53 feeding season may not average greatly different from 1951-52. Wheat supplies in prospect for this year and next probably will exceed domestic and export requirements. Wheat prices in the current marketing year are expected to average slightly below the effective loan level. With average weather, total fruit production in 1953 is likely to be larger than in 1952 but grower prices may not be greatly different. Total production of truck crops for the fresh market in 1953 may be larger than in 1952 when unfavorable weather in some areas cut acreage and yields and caused alternate periods of glut and scarcity and sharp variations in prices. Relatively high prices this year and last suggest that farmers may increase potato and sweetpotato acreage in 1953 and prices for the 1953 crop probably will not be as high as those for the 1952 crop. With smaller supplies than a year earlier in prospect, prices of dry edible beans and peas will continue higher than those for the 1951 crop. The supply of cotton is expected to be smaller in the 1952-53 marketing year but disappearance will decline even more and stocks at the end of the current marketing year probably will be larger than at the beginning. World production of wool will be up slightly from 1951-52, and stocks are also larger. Growers' prices this year are well below the 1951-52 season average. The 1952-53 supply of flue-cured and Burley tobacco will be larger than a year earlier because of bigger carry-overs.

DEMAND FOR GOODS AND SERVICES

Recent Developments and Prospects for 1953

The continued increase in outlays for national security programs and a gradual rise in business outlays for new plant and equipment from third quarter 1951 to the third quarter this year contributed to a moderate pick-up in consumer income and spending over the past year. Combined spending by consumers, businessmen and the Government for all goods and services increased nearly 4 percent in the year ending in the third quarter 1952.

A further rise in defense spending into 1953 and prospects for only a moderate cutback in business demand for new plant and equipment are expected to result in higher incomes and a further increase in total demands on the economy over the coming year. But demand may stabilize late in 1953 if defense outlays level off and investment demand declines as many expansion programs are completed. The moderate rise in demands on the economy in prospect for 1953 probably will be met without strain on productive resources or significant upward pressure on prices.

Defense Build-up
Approaches Plateau

National security spending in the third quarter this year was at an annual rate of 50 billion dollars, up more than 8 billion from a year earlier. With vacation shutdowns and the interruption in steel production, defense outlays in the third quarter were about the same as the preceding quarter. Present plans indicate that the defense program will expand further in coming months. National security expenditures probably will reach a peak annual rate of around 55 to 60 billion dollars in the second half of next year and then level off. At that time, national security outlays may be a somewhat higher percentage of the gross national product than the approximate 15 percent estimated for the third quarter.

Table 1.- Government expenditures for goods and services, third quarter 1951 to third quarter 1952, seasonally adjusted annual rates

Item	1951		1952		
	III	IV	I	II	III 1/
	Bil. dol.	Bil. dol.	Bil. dol.	Bil. dol.	Bil. dol.
Government expenditures					
for goods and services...	67.3	71.2	74.4	78.0	78.0
Federal less Government					
sales.....	45.6	48.9	51.2	54.9	55.1
National security 2/...	41.6	44.3	46.4	50.3	50.0
State and local.....	21.7	22.3	23.2	23.0	23.0

1/ Estimates based on incomplete data; Council of Economic Advisers.

2/ Includes expenditures for military services, international security and foreign relations, atomic energy, merchant marine, and promotion of defense production, economic stabilization, and civil defense.

According to the quarterly report of the Director of Defense Mobilization, output of military "hard goods"--planes, tanks, ships and other equipment--has risen since Korea from 900 million dollars a quarter to about 6 billion dollars. The quarterly rate is expected to reach about 8 billion dollars sometime in 1953. The period of most rapid expansion apparently has been passed. Production of tanks and combat vehicles is running about 7 times that of a year ago and probably will increase further in the year ahead. Output of electronics is at a rate more than double that of a year ago. Deliveries of aircraft have risen to more than 3 times the rate in the first quarter after the outbreak in Korea and the output of jet engines has been rising more rapidly than the production of aircraft. In general, good progress is reported in other major groups of military products.

Although the demands of the national security program are expected to level off in 1953, the procurement program is only about one-third complete. This is due largely to the long-lead-time (the time that

elapses from completion of blue-prints to the time the finished product comes off the assembly line) for many military hard goods. With the money made available in July, funds for all military procurement and construction programs will total around 129 billion dollars since Korea. While nearly 100 billion of this has been placed in orders for military hard goods and construction, deliveries by the end of September totaled only 41 billion dollars.

Outlays by State and local Governments for schools, roads and other facilities are also expected to rise moderately over the coming year. Combined Government spending for goods and services by the third quarter of 1953 may be 10 to 15 percent above the third quarter rate of 78 billion dollars.

Federal budget expenditures for fiscal year 1951-52, at 66.1 billion dollars, exceeded receipts about 4 billion dollars. Cash operating income which includes cash budget receipts and cash trust account receipts exceeded the corresponding federal cash out-go in fiscal 1952 resulting in a small cash surplus of about 100 million dollars.

According to the President's Mid-Year Budget Review, estimates of budget receipts and expenditures for fiscal year 1952-53 point to a deficit of around 10 billion dollars, approximately 6 billion larger than in 1951-52 but some 4 billion smaller than estimated in the January 1952 budget message. Corresponding estimates for federal cash income and outgo indicate a cash deficit for 1952-53 of 6 to 7 billion dollars. Since most tax receipts are concentrated in the first half of the calendar year, Treasury borrowing to meet the expected deficit probably will, as usual, come largely in the July-December period.

Business Investment Demand at Record Levels

American business is planning record capital outlays in the second half of 1952, according to the latest quarterly survey conducted jointly by the Securities and Exchange Commission and the Department of Commerce. If these programs are realized, capital expenditures for 1952 will total 27.5 billion dollars, 4 percent larger than in 1951. Capital outlays by manufacturers in 1952 are expected to be at record levels, 15 percent higher than last year. Increases of over 30 percent are in prospect for such defense-related industries as nonferrous metals, rubber, petroleum refining, and iron and steel. Smaller increases are also scheduled in many other industries. But much of the growth is offset by declines in the larger nondefense manufacturing industries such as textile mill products, food, paper and allied products, and fabricated metal products.

Outlays indicated for nonmanufacturing industries as a whole will be slightly below the peak of 1951. Investment by mining and commercial companies will be lower in 1952, but increases are in prospect for communications and electric and gas utilities. Railroads and other transportation industries are maintaining investment expenditures at approximately the 1951 rate.

According to this survey, made in August this year, businessmen were planning outlays for new plant and equipment in the last quarter at a record annual rate of 27.9 billion dollars with most of the increase from the second quarter coming in manufacturing industries and public utilities. Although these plans may not be fully realized, they suggest that businessmen are generally optimistic about economic prospects. Since Korea, the Nation's industrial plant has expanded rapidly, especially the defense-related manufacturing industries. Investment in most nonmanufacturing industries also has expanded considerably in recent years. Many of the industrial expansion goals established to support the defense build-up will be completed during the next year. According to the Director of Defense Mobilization, about 48 percent of new plants which have been granted tax benefits will be completed by the end of 1952. But further expansion is scheduled for the basic metals, electric power, petroleum, and for many other smaller industries. Expansion goals for aluminum and electric power have been increased above previous targets. However, the granting of accelerated tax amortization privileges on new industrial plant is tapering off. Further expansion, exploration and development of strategic material supplies--manganese, chromite, molybdenum, tungsten, and copper, for example--are being stimulated by Government action.

Table 2.- Gross investment, domestic and foreign, third quarter 1951 to third quarter 1952, seasonally adjusted annual rates

Item	1951			1952		
	III	IV	I	II	III	1/
	Bil.dol.	Bil.dol.	Bil.dol.	Bil.dol.	Bil.dol.	
Business investment						
Producers' durable equipment..	24.9	24.7	25.7	25.7	24.5	
New construction <u>2/</u>	12.5	12.1	12.7	12.6	12.5	
Change in inventories.....	8.9	5.8	0.6	0.1	2.0	
Residential construction						
Nonfarm.....	9.9	10.3	11.0	11.0	11.0	
Net foreign investment.....	1.1	2.6	1.9	0.9	0	
Total.....	57.3	55.5	51.9	50.2	50.0	

1/ Estimates based on incomplete data; Council of Economic Advisers.

2/ Construction other than residential nonfarm.

Remaining expansion goals should help sustain a high level of investment well into 1953. However, investment expenditures by manufacturers in the postwar period has added approximately 50 percent to their capacity. Some reduction in total business investment spending is in prospect in 1953, but outlays for the year may total only moderately below the record level for 1952.

Housing Starts at Million-Unit Rate

New housing starts are currently running at an annual rate of slightly more than a million units and probably will total around a million units for the year. This compares with about 1.1 million units in 1951 and nearly 1.4 million in 1950. Credit controls on housing were recently suspended as provided by 1952 amendments to the Defense Production Act. This action was followed by some reduction of minimum down payments on Government-aided housing programs. Banks and other lending agencies, which cover about three-fourths of mortgages on homes purchases, will be subject only to the usual regulations imposed on such lending institutions.

Defense housing was recently given a boost when Congress raised by 900 million dollars the authority of the Federal National Mortgage Association to purchase defense housing mortgages. Also the Federal Housing Administration's mortgage insurance fund for such housing was increased.

Construction costs may continue high, but the recent easing of credit restrictions on housing, new financing for defense housing, and prospects for some rise in consumer incomes probably will support a continued high level demand for new homes in 1953.

Business Inventories

Total business inventories, after accumulating rapidly during most of 1951, changed little during the first half of 1952. Nonfarm business inventories declined slightly in the first half of this year. But stocks were being rebuilt during the third quarter following the depletion which occurred when steel output was interrupted by the strike. No major inventory changes are in prospect during the coming year.

Net Foreign Investment

Net foreign investment, usually a relatively small contributor to the gross national product, has ranged from about 1 to 2.5 billion dollars since the third quarter of last year. That is, the value of U. S. exports exceeded the value of U. S. imports and Government grants and private gifts to foreign countries. Prospects for a further rise in U. S. imports of goods and services and a continued high level of foreign aid in 1953, may result in a small net gain in gold and dollar assets of foreign countries.

Consumer Income, Spending and Saving

Rising expenditures for defense and business investment contributed to a gradual increase in personal incomes over the past year. However, a relatively large number of work stoppages, some of long duration and involving large numbers of workers, during the first half of this year

limited the increase. Personal income payments for the third quarter this year were estimated to be about 4 percent above a year earlier. Increases in wage and salary payments accounted for most of the relatively small gain. Total employment, after allowing for seasonal differences, has held stable over the past year. But the moderate rise in average hourly earnings was large enough to permit weekly earnings to increase gradually even though the length of the work week was reduced slightly.

Consumer incomes after taxes have held relatively steady over the past year, ranging between an annual rate of 230.5 and 233 billion dollars since the fourth quarter 1951 when the last increase in income taxes took effect. After adjustment for population growth and the gradual rise in prices, the purchasing power of per capita disposable income has been relatively steady over the past two years, but has eased off very slightly since the third quarter of last year.

A further moderate rise in Government spending for defense and a continued relatively high level of total investment outlays are expected to support a further gradual increase in total disposable incomes through most of 1953. Per capita disposable income, however, probably will change little over the coming year.

Consumer Expenditures Rise Moderately

Consumer expenditures for goods and services have risen more rapidly since the third quarter last year than total personal income, after taxes. But the level of spending relative to income still appears a little lower than in the immediate post-war II years. Most of the increase in spending over the past year was for services and nondurable goods, especially food. Although purchases of clothing and shoes have picked up somewhat recently, they have held relatively stable over the past year despite moderate declines in apparel prices. Consumer outlays for most major groups of services also continued to increase over the year with the gradual rise in incomes.

Purchases of durable goods have held near an annual rate of 25 to 26 billion dollars following the abrupt drop from the first quarter in 1951. Restrictions on the use of metals apparently limited supplies and consumer expenditures for automobiles and possibly a few other consumer durables. But probably the main factors which tended to limit consumer expenditures during much of the past year were the advance buying that followed the Korean outbreak, restrictions on consumer credit, and a halt to speculative buying as supplies of many durable goods remained adequate.

The rise in purchases of durable goods in the second quarter this year was largely due to increased credit buying of automobiles in May and June. Automobile sales were down substantially in July and August because of the reduced output of passenger cars while sales at most other durable goods stores continued near advanced June levels. Supplies of most

household goods and appliances have been adequate over the past year and prices in general have declined while automobile prices have risen. Non-durable goods also have been in good supply. Larger supplies of basic metals and expanded industrial capacity probably will provide for an increasing supply of both consumer goods and military equipment for defense. Food supplies are also expected to increase at least as much as population growth. Prospects for a further gradual rise in consumer income after taxes, easing of consumer credit controls and the recent rebuilding of liquid asset reserves probably will support a continued moderate rise in consumer spending over most of 1953.

Installment Credit
Increases Sharply

The rapid rise in installment credit granted since early May when controls were suspended, contributed in large part to the pick up in sales of automobiles and household goods in May and June. Although credit granted declined in July and August when automobile output was low, installment credit outstanding increased and at the end of August totaled 14.9 billion dollars, 1.6 billion higher than at the end of April. However, consumer credit outstanding does not appear unreasonably high relative to total consumer income after taxes.

Table 3.- Consumer income, spending and saving, selected quarters for 1951 and 1952 at seasonally adjusted annual rates

Item	1951			1952		
	III	IV	I	II	III	1/
	Bil.dol.	Bil.dol.	Bil.dol.	Bil.dol.	Bil.dol.	
Personal disposable income...	227.1	231.5	230.5	231.5	233.0	
Consumer expenditures for						
goods and services	206.4	210.5	213.2	214.9	216.0	
Durable goods	25.5	25.3	25.2	26.4	25.0	
Automobiles and parts ...	9.9	9.5	9.6	11.3	---	
Other	15.6	15.9	15.6	15.1	---	
Nondurable goods	113.2	116.2	118.0	117.8	119.5	
Food and beverages	69.5	70.4	71.8	72.3	---	
Clothing and shoes	20.0	20.7	20.6	20.0	---	
Other	23.7	25.1	25.6	25.5	---	
Services	67.6	69.0	70.0	70.8	71.5	
Personal saving	20.7	21.1	17.3	16.5	17.0	

1/ Estimates based on incomplete data; Council of Economic Advisers.

Savings DeclineSomewhat

Personal saving in the third quarter was estimated at 7.3 percent of income after taxes, compared with over 9 percent a year earlier. The decline reflects a gain over the past year in consumer spending relative to income.

Liquid saving of individuals, as reported by the Securities and Exchange Commission, totaled 1.7 billion dollars in the second quarter of this year compared with 2.6 billion in the first quarter and around 5 billion in each of the last two quarters of 1951. Individuals continued to add to savings in such forms as insurance, demand and savings deposits, shares in savings and loan associations, and in holdings of corporate and municipal securities.

During the year 1951-52 consumers tended to shift from the buying of capital goods to the purchase of financial assets. Expenditures for new homes and durable goods fell well below the previous year. The flow of consumer funds into all financial assets exceeded 16 billion dollars, nearly half of which represented increased consumer holdings of liquid assets in the form of currency and bank deposits, savings and loan shares, and U. S. Government securities. As of mid-1952, consumer holdings of liquid assets totaled approximately 175 billion dollars. In addition to the growth in liquid assets, private insurance reserves continued to expend and net purchases of corporate securities made another sharp rise.

OUTPUT AND EMPLOYMENTRelative Stability

The value of goods and services produced by the economy in the third quarter, at 344 billion dollars, was about 4 percent larger than a year earlier. Since prices of finished products averaged higher over the period, possibly only about half the gain represented greater output. Total employment held relatively steady with continued shifts from agriculture to other industries and a further rise in employment in some defense industries. Employment and total output of the economy are expected to continue to rise gradually into 1953.

Industrial Production UpFrom Mid-year low

Output of the nation's factories and mines rose gradually from the third quarter 1951, and in the first quarter this year nearly equaled the record levels of the first six months of 1951. But major work stoppages in the petroleum and steel industries in the second quarter contributed to a sharp curtailment of output and the index of industrial production dropped to 193 percent (1935-39=100) in July from 221 in March. The work stoppage in the steel industry extended through most of June and July. Output of many durable goods was maintained in June by drawing down inventories. But material shortages and early vacations brought a sharp reduction in manufacturing and mining output in July. Production of textiles and several other nondurable goods eased off somewhat in the spring of this year, but rose in June.

Following the settlement of the steel dispute on July 25, the steel industry made a phenomenal recovery and by the week ended September 6 was operating at 100 percent of capacity. The increased flow of materials made possible greater output in the metal-working industries. But increased sales and new orders for many consumer goods also contributed to rising production. As a result, the industrial production index rose 11 percent from July to 215 in August. Production by durable goods manufacturers was up nearly one-sixth, nondurables rose 6 percent and mineral output 12 percent over the month.

Preliminary information for September indicates that industrial production rose further--about 4 percent--from August with increases in minerals and in many groups of manufactured goods. Demand for rebuilding depleted and unbalanced inventories, further increases in the outturn of military hard goods, and a general rise in sales and new orders for consumer goods are expected to increase industrial production to record levels in coming months.

Inventories Lower

Total nonfarm business inventories declined slightly during the first half of 1952 partly as a result of the interruption in steel output. However, total retail inventories have been declining since reaching their peak in the second quarter last year. With the gradual rise in consumer buying, retail stock-sales ratios in the second quarter were 16 percent below a year earlier and the ratio of stocks to sales for automotive dealers dropped 40 percent over the period. Manufacturers' inventories continued to rise rapidly over most of the past year, particularly in industries supporting the defense program. However, sharp reductions were made in holdings of iron and steel products in June and July when steel production was virtually stopped by the dispute in the steel industry. Rebuilding depleted and unbalanced inventories is expected to require capacity operations for several months in the steel and metal using industries.

Order backlogs of durable goods manufacturers continued to rise gradually over the past year. Deliveries also have risen and order backlogs currently total around 5 to 6 months sales. The recent pick-up in new orders for nondurable manufacturers was strongest in textiles.

Employment Remains Steady

Total employment, after seasonal adjustment, has shown little change in the past 12 months. However, total employment for 1952 as a whole is expected to be up a little from last year and may continue to inch upward in the coming year. Nonagricultural employment in the third quarter of 1952 was about .4 million higher than in the same period a year earlier. But agricultural employment was down by almost an equal amount. These same trends probably will continue in coming months, with the expansion in nonagricultural employment expected to slightly more than offset the decrease in agricultural. Further expansion in employment is expected in industries producing defense materials.

Unemployment has continued at low levels during the past year, averaging about 3 percent or less of the total civilian labor force. Work stoppages in the first 8 months of 1952 caused a direct loss of more than 45 million man-days of work and involved about 2.5 million workers. This is the largest number of man-days of idleness for any similar period since 1946 when nearly 96 million man-days were lost. Indirect effects of work stoppages were also substantial.

PRICE TRENDS: Mixed

Although consumers' prices have risen gradually in the past year, wholesale prices in general are down from year-ago levels. The all-commodity index averaged about 2 percent lower in the third quarter than a year earlier. The index of imported commodity prices in the third quarter was 17 percent below a year earlier and raw industrial products were down 14 percent on the average.

Domestic demand in general has been maintained over the past year by a gradual rise in consumer disposable incomes but there have been a few soft spots. Largest price declines from the third quarter of 1951 to the same period this year were registered by hides, skins, and leather products, 19 percent; rubber and products, 11 percent; and textile and apparel, 9 percent. Machinery and motive products and metals and metal products were the only groups of wholesale prices to show gains over the year but the increases were moderate.

Table 4.- Indexes of retail, wholesale, and basic commodity prices, selected groups, third quarter 1951 and 1952 with percentage change

Group	Third quarter 1951	Third quarter 1952 ^{1/}	Percentage change
28 Basic commodities (Aug. 1939=100)			
General index	327.2	292.6	- 11
Raw industrial	310.6	268.4	- 14
Imported commodities	341.7	284.4	- 17
Foodstuffs	367.2	357.5	- 3
Wholesale prices (1947-49=100)			
All commodities	113.8	111.7	- 2
Farm products	110.5	108.8	- 1
Food, processed	110.9	110.2	- 1
All other than farm and food ...	115.1	112.7	- 2
Consumers' Prices (1935-39=100)			
Total	185.9	191.0	+ 3
Food	227.3	235.2	+ 3
Nonfood	164.2	168.0	+ 2

^{1/} Basic commodities, average of prices in July, August and September; wholesale, average of prices for the months of July and August and the week ending September 16; consumers, average of July 15 and August 15 prices.

Wholesale prices firmed somewhat in July and August after having declined throughout most of the previous year. But average prices eased off again in September largely because of lower prices for farm products.

Urban consumers' prices weakened somewhat last spring, but rose to record levels in the summer and in the third quarter averaged 3 percent higher than in the same period of 1951. Greatest advances came in food prices. However, declines were reported only for apparel and housefurnishings. Rural living costs have been steady during the past year, with prices in the third quarter of this year averaging about 1 percent higher than a year earlier. Economic trends in the coming year suggest little change in prices. However, some easing may develop in the latter part of the year if a leveling off in the defense program and investment declines are accompanied by a large output of farm products. Retail food prices may change seasonally in 1953 but average prices are not expected to be much different from 1952.

AGRICULTURE: Demand, Supply and Price Prospects

Domestic demand for farm products is expected to continue at a high level during most of 1953. High employment, rising wage rates, moderate increases in consumer incomes, and a growing population are supporting a strong demand for food and other agricultural products. Prospects for further expansion in outlays for national security programs, together with relatively large business outlays for new plant and equipment, point to a sustained high level of employment and a further moderate rise in consumer incomes well into 1953.

Export Demand Lower

Foreign demand for U. S. agricultural exports in the 1952-53 marketing year is likely to be down substantially from the preceding year. A general increase in foreign supplies of wheat, cotton, and some fruits probably will contribute to reduced foreign demand for these products. In addition, lower prices of competitive foreign-produced products may restrict some U. S. exports.

Table 4.- Foreign supply of gold and dollars, fiscal 1951-52
and estimated fiscal 1952-53

Item	: 12 months beginning July 1	
	: 1951-52	: Estimated
	: 1952-53	
	<u>Bil.dol.</u>	<u>Bil.dol.</u>
Total foreign holdings of gold and dollars at the beginning.....	19.5	19.4
U. S. imports of goods and services during the year.....	14.9	Up
U. S. Government foreign aid utilized during the year:		
Economic aid utilized during the year	2.9	Down
Military aid utilized during the year	1.7	Up
Grand total supply (including military aid).....	39.0	42
Grand total supply (excluding military aid).....	37.3	38

With a further rise in total U. S. imports of goods and services expected to more than offset the probable decline in funds used for foreign economic aid, the foreign supply of gold and dollars (excluding foreign military aid) available for the 1952-53 marketing year is expected to total approximately the same as in 1951-52. But only part of these funds may be available for purchases of U. S. agricultural products. Moreover, some major importers of U. S. farm products, particularly the United Kingdom, will have fewer dollars than in 1951-52. Although total foreign holdings of gold and dollars in mid-1952 were only slightly lower than a year earlier, United Kingdom holdings of gold and official dollar balances were down 56 percent from mid-1951. The United Kingdom imported about 12 percent of the total value of U. S. agricultural exports in 1951 including large amounts of lard and tobacco.

Smaller Exports In Prospect

In the year ending June 1952, agricultural exports were valued at 4.0 billion dollars, nearly one-fifth larger than in 1950-51. The big increases were for grains and grain preparations and cotton. Both foods and nonfoods rose by about the same relative amount.

The value of agricultural exports in 1952-53 probably will be substantially below 1951-52 and possibly lower than the 3.4 billion reported for 1950-51. Increased foreign supplies of cotton and lower prices for foreign competitive types are expected to reduce export demand for U. S. cotton. A moderate rise in domestic demand accompanied by a small decrease in domestic supplies also may limit cotton exports in 1952-53. Generally improved foreign supply prospects for wheat--a record Canadian crop, improved production prospects for Western Europe and the Near West, and larger stocks in some European countries--point to reduced U. S. wheat exports in 1952-53. Reduced holdings of gold and dollars in the United Kingdom probably will restrict tobacco and lard exports to the United Kingdom in 1952-53. Smaller domestic supplies of grain sorghums and a number of minor commodities probably will reduce exports.

Agricultural Production at Record Level

Production of farm products has been at a high level in recent years and 1952 production is estimated to be a record level. Both crop output and production of livestock and livestock products in 1952 probably will total 2 to 3 percent larger than last year. Food production indicated for 1952 is up more than 3 percent from 1951, but a substantial part of the gain is due to a much larger wheat crop some of which is expected to go into reserve stocks. If food grains are excluded from the index, the indicated increase for the remaining food items is approximately equal to population increase, around 1 to 2 percent above 1951.

Table 5.- Value of exports of agricultural products,
United States, specified periods

Period	Nonfood			Food		Total
	Cotton including linters	Tobacco unmanu- factured	Other 1/	Grain and prepa- rations	Other	
	Million dollars	Million dollars	Million dollars	Million dollars	Million dollars	Million dollars
Average 1935-39...	318	128	29	95	178	748
1946	538	352	138	796	1,349	3,173
1947	427	271	130	1,881	1,198	3,957
1948	511	215	150	1,715	881	3,472
1949	874	252	258	1,462	732	3,578
1950	1,024	251	247	838	513	2,873
1951	1,146	325	343	1,488	738	4,040
Year beginning July 1						
1950						
3rd quarter....	188	80	39	209	117	633
4th quarter....	238	96	86	238	142	800
1951						
1st quarter....	253	49	82	344	164	892
2nd quarter....	262	49	105	448	222	1,086
Year	941	274	312	1,239	645	3,411
1951						
3rd quarter....	135	91	72	356	182	836
4th quarter....	496	136	84	340	170	1,226
1952						
1st quarter....	375	56	72	459	166	1,128
2nd quarter....	198	44	44	415	152	853
Year.....	1,204	327	272	1,570	670	4,043

1/ The seven principal export items or groups which accounted for 82 percent of the total 1951 value of \$343 million were: (in millions of dollars)

- (1) Vegetable oils and fats, crude and/or inedible 82, (2) soybeans 80, (3) inedible tallow 67, (4) flaxseed 15, (5) hides and skins except furs 13, (6) hops 12, and (7) hog sausage casings 11.

Marketings of farm products in the first 9 months of this year totaled about 5 percent above the same period of 1951. Crop marketings were up about 7 percent and marketings of livestock and livestock products were 3 percent larger. For 1952 as a whole, marketings of farm products are expected to total about 4 percent above 1951. Crop marketings may be up 6 to 7 percent, with increased marketings of food grains, cotton and feed grains more than offsetting reductions for oil crops, vegetables, tobacco and a few other crops. Larger marketings of meat animals and poultry products are expected to result in a 2 to 3 percent gain for livestock and livestock products.

Farm production goals in 1953 are expected to call for a continued high output of farm products. Goals for wheat were reduced because of a near-record 1952 crop and a generally improved supply situation. But with low feed grain reserves and continued expansion in livestock production, feed grain production will again receive primary emphasis. Supplies of food and farm products in 1953 may continue near record levels if growing conditions are not unfavorable. Production and marketings of livestock and livestock products are expected to increase further in 1953 with a large part of the gain in cattle. Supplies of most truck crops, other vegetables and fruits also may be larger if growing conditions are average.

Farm Product Prices: Offsetting Movements

Prices received by farmers averaged about the same in the third quarter of 1952 as in the comparable period of last year. Livestock and livestock product prices were 7 percent lower with meat animals down 12 percent, poultry and eggs, 6 percent, and wool, 33 percent. Dairy products, up 7 percent, was the only major livestock product group to rise. Crop prices, however, averaged 11 percent higher over this period. Prices for food grains were about the same as the year before, but prices for other major crop groups were up, some substantially--"other vegetables," 83 percent and truck crops, 27 percent.

In September of this year the index of prices received dropped 7 points from August. Lower prices for meat animals reflected relatively large marketings. Prices for truck crops, other vegetables, and deciduous fruits declined seasonally. These reductions were only partially offset by price advances for wheat and cotton and seasonally higher prices for dairy products.

Gradually rising consumer incomes over the past year maintained a generally strong domestic demand for farm products and exports of agricultural products were at near-record levels. To a large extent, price changes for individual farm products over the past year reflected changes in supplies, particularly for meat animals, dairy products, poultry products, other vegetables, cotton, feed grains, and truck crops. For wool, however, some weakening in demand apparently contributed to the decline of one-third in prices received.

Table 6. - Group indexes of prices received and paid by farmers, third quarter 1951 and 1952, with percentage change

(1910-14=100)

Group	Third quarter 1951	Third quarter 1952	Percentage change
Prices received by farmers.....	292	293	1/
Food grains.....	234	235	1/
Feed grains and hay.....	215	231	+ 7
Cotton.....	301	320	+ 6
Tobacco.....	430	433	+ 1
Oil-bearing crops.....	300	307	+ 2
Fruit.....	194	207	+ 7
Truck crops.....	182	232	+ 27
Other vegetables.....	186	340	+ 83
All crops.....	245	271	+ 11
Meat animals.....	414	366	- 12
Dairy products.....	277	296	+ 7
Poultry and eggs.....	233	220	- 6
Wool.....	432	290	- 33
Livestock and products.....	335	312	- 7
Prices paid, interest, taxes and wages.....	282	286	+ 1
Living.....	269	272	+ 1
Production.....	273	273	0
Wages 2/.....	475	506	+ 7

1/ Increase of less than 0.5 percent.

2/ Seasonally adjusted.

For 1952 as a whole, prices received by farmers probably will average around 3 percent below last year with lower prices for livestock and livestock products more than offsetting higher average prices for crops. Prospects for a continued large volume of marketings in 1953 and a substantial reduction in foreign demand suggest some further easing in prices received by farmers next year. Prices of both crops and livestock products are expected to average a little lower than in 1952.

Table 7.- Comparison of average prices received for selected commodities with announced supports for 1952 and 1953 crops

Commodity	Season	Support prices		Average
	average			prices
	Price 1951-52	1952 crop	1953 crop	received Sept. 15, 1952
	Dollars	Dollars	Dollars	Dollars
Tobacco				
Flue-cured	.524	.506		.510
Burley	.512	.495		
Wool (grease basis)	.995	.542		.502
Cotton	.379	1/.3196		.3917
Food grains				
Wheat	2.11	2.20	2/2.21	2.09
Rice	4.83	5.04		5.30
Rye	1.55	1.42	1.43	1.73
Feed grains				
Corn	1.69	1.60		1.71
Oats	.835	.78	.80	.835
Barley	1.25	1.22	1.24	1.43
Grain sorghums	2.36	2.38	2.43	3.02
Oilseeds				
Cottonseed	69.30	66.40		69.60
Soybeans	2.70	2.56		2.83
Peanuts	.104	.1197		.111
Flaxseed	3.60	3.77	3.79	3.80
Dry edible beans	7.79	7.80		8.48

1/ Middling 15/16 inch cotton.

2/ Minimum support price. Actual support price will be 90 percent of parity at the beginning of the marketing season provided it is not less than the announced minimum figure.

Among the major crops for which price supports have been announced, only wheat, peanuts and wool were below support levels in mid-September. Grower prices for flaxseed were only slightly higher, while prices for other crops were generally well above the support level. Supports announced so far this year for food and feed grains and flaxseed are slightly higher than supports for the 1952 crop.

Prices Paid by Farmers Somewhat Higher

Prices paid by farmers including interest, taxes, and wage rates in the third quarter of this year averaged more than 1 percent higher than a year earlier. Prices paid for commodities used in rural family living were up 1 percent with increases of 7 percent in autos and auto supplies and 2 percent in food partly offset by minor declines in prices of other living items. The cost of commodities used in farm production averaged the same in the third quarter as the year before. Prices for feeder and replacement livestock were down 20 percent, but this decline was offset by increases of 14 percent for seed, 8 percent for feed, and 2 to 5 percent for manufactured commodities, other than building and fencing materials which were virtually unchanged from a year earlier. Farm wage rates

were up about 7 percent over the period. With the small gain in the parity index from a year ago the parity ratio in the third quarter was down to 102 compared with 104 a year earlier.

Wage rates, interest payments, and tax charges are likely to rise further in 1953. Increased prices for steel, higher transportation charges, and generally higher wage rates are expected to result in further moderate price increases for many manufactured products. But prices for feeder livestock are expected to decline further. The index of prices paid by farmers including interest, taxes, and wage rates is expected to average slightly higher in 1953 than in 1952.

FARM-RETAIL PRICE SPREADS

Charges for marketing farm foods reached a new high in August. Some seasonal decline may occur during the winter, but marketing charges are expected to average higher in 1953 than in the current year. Average hourly earnings of employees in food marketing establishments in mid-1952 were about 2 percent higher than at the beginning of the year and further advances may be expected. Although an increase in labor productivity is anticipated, unit labor costs are likely to be higher in 1953. Costs of shipping agricultural commodities are likely to average somewhat higher in 1953. Rates of both rail and motor carriers advanced during 1952.

Table 8.- The farm-food market basket: 1/ Retail cost, farm value, marketing charges, and farmer's share of consumer's food dollar, annual averages 1951 and 1952, July and August 1951 and 1952

Year and Month	Retail cost 2/ Dollars	Farm value 3/ Dollars	Marketing charges 4/ Dollars	Farmer's share Percent
1951 av.	722	360	362	50
1952 av. 5/ ...	745	360	385	48
1951 - July ...	723	352	371	49
Aug. ...	714	354	359	50
1952 - July ...	755	365	390	48
Aug. ...	754	359	394	48

1/ Average annual quantities of farm foods purchased per family of three average consumers, 1935-39. 2/ Calculated from retail prices collected by the Bureau of Labor Statistics and the Bureau of Agricultural Economics. Expenditure for all foods per family is currently considerably more than the retail cost of the foods in the market basket which does not include imported foods, nonfarm foods such as fishery products, or foods consumed on farms where produced. Moreover, it does not reflect the higher postwar level of food consumption nor does it allow for service charges on meals eaten in restaurants. 3/ Payments to farmers for equivalent quantities of farm produce minus imputed value of byproducts obtained in processing. 4/ Marketing charges equal margin (differences between retail cost and farm value) minus processor taxes in case of sugar. 5/ Preliminary estimate.

The increase in marketing charges from 1951 to 1952 accounted for nearly all of the rise in the retail cost of the farm foods in the market basket. As a result, the farmer's share of the dollar that consumers spent for these foods declined from 50 cents to an estimated 48 cents. The expected increase in marketing charges in 1953, together with a possible decline in the farm value, may cause a further decline in the farmer's share. During the postwar years, the farmer's share has varied between 53 cents in 1946 and 48 cents in 1949 and 1950.

FARM INCOME

This year's gross farm income is estimated at 37.6 billion dollars, 2 percent higher than in 1951. Production expenses are up 4 percent to approximately 23.4 billion dollars. And farmers' realized net income is about 14.2 billion dollars, or slightly lower than last year's revised estimate of 14.3 billion, and substantially below 1947 and 1948. Nonagricultural income is currently at a record high and may increase further in 1953.

Next year's gross farm income is not expected to be larger and may well be down slightly from 1952. Cash receipts from marketings, its principal component, is not likely to exceed the estimated 1952 level of 33.5 billion dollars. If growing conditions are average, the total volume of farm marketings probably will be maintained near this year's record volume. But prices for the year as a whole may average slightly lower than in 1952. Commodities for which receipts are most likely to be higher next year are dairy products, chickens and eggs, corn, and oil-bearing crops. Receipts are likely to be smaller from wheat and tobacco.

The total cost of farm production has risen in 13 out of the last 14 years and will probably inch up a little more in 1953. Further increases are expected in some manufactured items and in such overhead items as interest, taxes and depreciation. Consequently, with no increase in gross income likely and with expenses slightly higher, farmers' net income in 1953 may be lower than the 14.2 billion dollars estimated for this year, perhaps by about 5 percent.

Farmers' cash receipts this year will total about 33.5 billion dollars or 3 percent above 1951. Receipts from livestock and livestock products, estimated at 18.9 billion dollars, are 4 percent lower than last year; but crop receipts of 14.6 billion are up 12 percent. Other items in gross income--Government payments, the value of home-consumed farm products, and the rental value of farm dwellings--total about the same as last year.

This year's rise of 4 percent in total production expense reflects some increase in all the important items except purchased livestock and seed. Prices of feeder livestock are averaging lower than last year, and farmer's expenditures on this item are down slightly. Expenditures on seed show little change from last year. The largest relative increase, 11 percent, is in interest payments, and reflects the considerable increase which has occurred in farmers' total indebtedness. Taxes, depreciation charges, and expenditures for feed, fertilizer, and motor-vehicle operation are each from 4 to 7 percent higher than last year. The total cost of hired labor is up 3 percent, with higher wage rates partly offset by smaller numbers employed. Rental payments are only slightly higher than in 1951.

LIVESTOCK AND MEAT

As a result of a four-year expansion in the number raised, the number of cattle slaughtered has started to increase this year and a more rapid rise is in prospect for 1953. Slaughter of hogs next year is likely to be a little lower than in 1952 and that of sheep and lambs about the same. The increase in cattle slaughter is expected to push total meat production in 1953 moderately above 1952 and perhaps to a record high peacetime level.

Heavier marketings of cattle next year may result in some further declines in the prices farmers receive for cattle. Because of the competition from beef, prices of hogs are expected to be about the same as last year and lambs a little lower.

Cattle numbers on farms increased from 77 million in January 1949 to 88 million at the beginning of 1952. Slaughter is up enough this year to slow the expansion only slightly and the number in January 1953 is expected to be approximately 93 million. According to past experience, slaughter can be expected to increase more in 1953 than in 1952 but not enough to end the increase in the number on farms.

Until recently, most of the gain in cattle slaughter had been in fed cattle--chiefly fed steers. This fall, slaughter of cattle off grass has made its first substantial increase. In 1953, slaughter of fed cattle will probably rise further, as a record volume of cattle feeding is in prospect for this winter. But a greater percentage increase is likely in slaughter of cows and other cattle off range and pasture.

Cattle slaughter is expected to increase moderately in 1953 with a further moderate decline expected in prices. Price changes may be more nearly uniform by classes of cattle than they have been the past year. Declines to date have been largest for cows and feeder cattle, and least for high grade fed cattle. Some seasonal recovery from lows this fall is likely. Seasonal decreases next year are most likely for fed cattle in late winter and spring and for grass cattle in the late summer and fall.

The chances are good for average profits from feeding cattle put on feed this fall, chiefly because prices paid for feeder cattle are sharply lower than last year. Feeder prices are low enough that a slow decline in fed cattle prices would not reduce profits below average.

Hog slaughter this fall has been running about one-tenth smaller than last fall as a result of a reduced spring pig crop. Nevertheless, prices for hogs have been no higher than a year ago. They have reflected the competition of the larger supply and lower price of beef this year than last. Also, a much lower price of lard this year is helping to pull down hog prices.

The hog-corn price ratio this fall is slightly below average. This would point to a small reduction in the number of sows to farrow next spring. On the other hand, the bumper corn crop in the Western Corn Belt would indicate larger spring farrowings. Hog production was reduced in that region this year, and, except for cattle feeding, other livestock enterprises are not offering great competition. Moreover, the price of corn is not so low relative to support as to encourage large scale sealing under loan. Altogether, prospects appear to be for a 1953 spring pig crop about the same as, or at most a little larger than, the 1952 spring crop.

Hog slaughter in the first 7 or 8 months of next year will be smaller than in the same period of 1952. Slaughter in the last 4 or 5 months will probably not be much different from this year, as it will be governed by the number of spring pigs saved.

Increased competition from beef, lower prices for lard, and other factors will probably prevent the price of hogs next year from increasing as much as the volume of hog slaughter is reduced. Nevertheless, prices in the coming winter will not be depressed as much as last winter and for 1953 as a whole promise to average as high as or a little higher than in 1952. The hog-corn price ratio may be close to its longtime average, affording approximately average returns from hog production.

Sheep and lamb slaughter in 1953 will probably not be greatly different from this year's slaughter, which has been so large as to indicate that the brief expansion in sheep numbers which began in 1950 ended this year. Prices of lambs in 1953 may be reduced a little below this year's prices because of the increased competition from beef.

Total meat production will probably be increased next year as much as or more than it was this year; and it may equal or surpass the 1947 peacetime high. Consumption per person is forecast at 144 pounds. This would be less than in 1947 because population is larger, but greater than in 1952 and about as large as in 1948-50.

DAIRY PRODUCTS

Consumer demand for milk products will continue strong in 1953 and milk production may increase slightly. Prices of dairy products and cash receipts from marketings probably will be a little higher in 1953 than in 1952. However, dairy production costs will be at least as large as in 1952 and net income from dairy farming in 1953 probably will be little different from that in 1952.

Production of milk in the United States has not increased in the past decade, in contrast to large increases in population and in total agricultural output. This is partly the result of a decline in domestic demand for some dairy products and partly the result of production conditions less favorable than for other farm products. On both specialized dairy farms and general farms, hourly returns from dairying have increased much less than those from other enterprises. This is important in accounting for the 16 percent decline since 1944 in number of milk cows on farms for the country as a whole. The decline has been heaviest in areas where alternatives to dairying have been most attractive, such as in the West North Central States. In some areas close to fluid milk markets, on the other hand, milk production has increased.

In 1953 dairying may improve some relative to other lines of farming. But on the average, hourly returns to family labor and management will continue lower on dairy farms than from alternative farming enterprises.

The lower level of milk production per person in the United States has been accompanied by a decline in milk fat consumption. In 1952 consumption of milk fat will be in the neighborhood of 28 pounds per capita, compared to 30 to 33 pounds annually prior to 1945. To some degree, this decline in milk fat consumption is being offset by increased consumption of vegetable oils, particularly margarine. Per capita consumption of milk solids-not-fat has increased 20 percent in the last two decades, but only sevenths of the annual output is being used directly for food.

The number of milk cows in the United States declined 14 percent from 1944 to 1949 and 2 percent since 1949 but is not likely to change much in the next 12 months. Milk production per cow after having increased without interruption from 1944 through 1951, declined from 1951 to 1952 largely because of hot, dry weather. Milk output per cow may rise again in 1953 even though supplies of both feed concentrates and roughages, per animal unit, will be a little lower in the feeding year now starting. With such an increase total milk production in 1953 may be a little above the 114 billion pounds likely to be produced this year.

Changes in dairy product prices during the last 3 or 4 years have resulted mainly from fluctuations in demand. Milk supplies have varied little. Demand for dairy products is likely to be sustained by a further moderate rise in consumer disposable incomes in 1953. However, the gain in incomes per person probably will be less than the 8 percent gain from 1950 to 1951 but about the same as in the past year.

Retail prices of dairy products in 1953 may be a little higher than in 1952. Consumption will be as large as or a little larger for all products except butter. Consumption of this item probably will decline to a new record low of slightly more than 8 pounds per person, less than half of the 1935-39 average. Margarine consumption, on the other hand, reached 7.7 pounds in 1952 and will be large again in 1953.

Exports of dairy products by the United States this year are the lowest since 1940. Imports have increased considerably and for 1952 as a whole, though the largest since 1937, will be equivalent to less than 1 percent of total milk output. Imports of dairy products into this country are on a restricted basis. Latest regulations, issued under authority of Section 104 of the Defense Production Act, effective in October 1952, provide for a continuation of the embargo on imports of butter, butter oil, and nonfat dry milk which was established in August 1951. Quotas are in effect for cheddar cheese, several individual foreign varieties of cheese, and casein. A few additional varieties have been freed from controls.

EGGS AND POULTRY

Demand for poultry products is expected to continue strong through most of 1953. Production of eggs and turkeys is likely to fall below 1952, and springtime prices for eggs probably will average higher than the low prices of this year. Broiler output probably will again increase, though at a smaller rate than in most recent years, and prices may average slightly below 1952 levels.

Decreases in production of eggs and turkeys are not expected to be large. Total output of poultry products in 1953 probably will be only slightly below the record total estimated for this year. About 390 to 400 eggs and 35+ pounds of poultry meat per person are expected to be available next year compared with 406 eggs and 35 pounds of meat this year.

Poultrymen's incomes in 1953 will, in the aggregate, increase over the relatively poor year of 1952. The increase will be most apparent to egg producers. Eggs are likely to sell at higher prices while costs will hold steady or rise only slightly. Turkey producers also may have 1953 returns above 1952 expectations, but per unit net income in the broiler industry is not likely to increase under the supply and demand conditions expected for 1953.

The egg supply next spring is expected to be smaller than it was in the spring of 1952. The nation's laying flock next January 1 is likely to be somewhat smaller than a year earlier. Some increase in the rate of lay per layer is probable, but it is not likely to be large enough to fully offset the decline in the number of layers. With a continued high level of demand, prices are likely to be above the low levels of the spring of 1952.

Higher egg prices next spring probably would mean a higher egg-feed price ratio than a year earlier, since feed costs are not expected to change much. A more favorable price-cost relationship to poultrymen probably would lead to an increase in the number of chickens farmers raise.

Farmers' August intentions were to market an increased proportion of this year's record-large 1952 turkey crop in October or earlier. If these intentions were carried through, turkey prices may increase as the season progresses. The 1953 turkey crop is likely to be smaller than the number of turkeys that were raised this year.

Although wide month-to-month fluctuations in broiler prices have caused variation in profitableness of sales, experience of the last few years has shown that average profit margins in broiler production have been narrowing. This situation is expected to continue into 1953. Broiler prices in 1953 may average slightly lower than the 1952 prices to date, if present expectations for moderate increase in production are realized, and if red meat supplies increase as expected.

FATS, OILS AND OILSEEDS

Prices of most fats and oils at the beginning of the 1952 crop year were lower than a year earlier. In contrast to the sharp decline which took place last year, however, little change in prices is likely until at least next spring when 1953 crop prospects are known. Prospective supplies of food fats are large enough to maintain consumption and exports at high levels. Supplies of most nonfood fats will be adequate to meet all requirements, and the carry-over at the end of the year will be large. Domestic disappearance of fats and oils in 1952-53 is expected to be as large as the high level of the preceding year. Exports in the 1951-52 crop year were at a record or near-record level and are expected to be large in the coming year, although a moderate decline is likely. Exports in the 10-month period October 1951-July 1952, totaled 2,018 million pounds, 5 percent above a year earlier, including an increase of nearly 50 percent in inedible tallow and grease exports.

On the basis of crop reports as of October 1 and other indications, total domestic output of fats and oils in the year which began October 1, 1952 may total about 11.8 billion pounds, 0.4 billion less than the record output of the previous year. This includes the oil equivalent of oilseeds exported for crushing abroad. The entire decline is expected to be in food fats and reflects smaller hog, cottonseed and peanut crops.

Production of soybeans in 1952, based upon reports as of October 1, is expected to total 286 million bushels, 6 million more than last year. Although the acreage to be harvested for beans is at a record level, the national average yield is below last year. Prices received by farmers for 1952 crop soybeans probably will average as high as or somewhat higher than last year's season average price of \$2.70 per bushel, compared with a support price of \$2.56.

Reflecting a decline in cotton acreage, prospective output of cottonseed in 1952 is expected to be 5,858 thousand tons, down 7 percent from last year. Price supports to farmers for 1952 crop cottonseed are available through loans, direct purchases and a cottonseed products purchase program at levels equivalent to a price at the farm of \$62.40 per ton basis grade (100). Prices received by producers so far this year have been moderately above support and are expected to average near last year's season average price of \$69.30 per ton.

The 1952 prospective peanut crop is 1.2 billion pounds, the smallest crop since 1939. The decline from last year reflects lower yields and a sharp cut in acreage because of smaller acreage allotments and repeal of legislation permitting farmers to produce peanuts for oil without penalty. Beginning stocks are larger than last year and total supplies will be adequate to meet domestic requirements for edible peanuts but stocks will be reduced. It is likely that only oilstock shelled peanuts will be crushed for oil and practically no peanuts will be exported. Prices to farmers for 1952 crop peanuts are being supported on a national average of 11.97 cents per pound, slightly higher than last year. The season average price received by farmers for 1952 crop peanuts may be near support level and substantially higher than last year's average of 10.4 cents per pound, when a considerable volume of "excess oil" peanuts were marketed at oil and meal values.

Output of flaxseed in 1952 may total 31.0 million bushels, 8 percent less than last year. Plantings were restricted by dry weather and by competition from other crops. Total disappearance of flaxseed and linseed oil in 1952-53 is likely to be substantially greater than production and a decline in stocks is indicated. However, ending stocks still will be very large. The season average price received by farmers for 1952 crop flaxseed probably will be near the support level of \$3.77 per bushel, compared with the \$3.71 per bushel received last year.

CORN AND OTHER FEED

The general level of feed prices in the 1952-53 feeding season may not be greatly different from that of 1951-52. Demand continues strong. Total feed grain supplies are down from last year. However, some reduction in the number of grain-consuming livestock, principally hogs is expected.

The near-record corn crop in the Corn Belt and drought in the South will be reflected in abnormal price differences between areas. The bumper corn crop in the Corn Belt probably will result in a seasonal decline in corn prices this fall, but prices probably will advance seasonally later in the marketing year. Prices of the other 3 feed grains were above the 1952 supports in September, and are expected to remain generally above the supports during the 1952-53 marketing season. The strong demand for high-protein feeds is expected to hold prices of these feeds close to the ceilings through the winter months.

The total supply of all feed concentrates for 1952-53, including the grains and byproduct feeds, is estimated at 165 million tons, 3 percent smaller than in 1951-52. This included a 3 percent smaller feed grain supply, a slightly smaller supply of byproduct feeds, and an allowance for wheat feeding at about the 1951-52 rate. While the total supply is again considerably larger than in prewar years, it is a little smaller than in any of the last 4 feeding seasons.

The total production of feed grains, estimated in September at 119 million tons, is 5 million tons larger than in 1951. But the feed grain carry-over of about 20 million tons is about 9 million tons smaller. Utilization of feed grains is expected to be a little smaller than last year and the 1952 production appears about sufficient to meet 1952-53 requirements without a further reduction in carry-over stocks.

The total hay supply for 1952-53 is about 4 percent smaller than last year and the smallest per animal unit since 1944. Supplies are generally adequate in the mid-West and Western States, but in the South production has been sharply reduced by the drought, and supplies are short.

WHEAT

Domestic demand for wheat in the 1952-53 marketing year will continue at about the current levels but exports may be down about 30 percent from the 473 million bushels exported in 1951-52. With near-record supplies of wheat the carry-over stocks probably will more than double the 254 million bushel carry-over on July 1, 1952. Wheat prices during the current marketing year are expected to average slightly below the effective loan rate.

With a near-record wheat crop of about 1.3 billion bushels this year, supplies of wheat for the 1952-53 marketing year are expected to total nearly 1.6 billion bushels. Domestic disappearance is estimated at about 700 million but with the expected drop in exports the carry-over in July 1953 may total about 550 million bushels compared to the 1942-51 average of 335 million bushels and a record 631 million bushels in 1942. Foreign demand for U. S. wheat in the current marketing year is expected to be down sharply

from 1951-52. A record Canadian crop, improved production prospects in Western Europe and the Near East, and larger stocks in some European countries point to reduced U. S. wheat exports in 1952-53.

Cash wheat prices have advanced since late June but are expected to continue a little below the effective support until late fall or early winter. For the 1952-53 marketing year as a whole, prices of wheat probably will average near the effective loan level--the support price of \$2.20 per bushel minus a storage deduction. The minimum support announced for the 1953 crop is \$2.21 per bushel, about the same as the support level for the 1952 crop.

The national wheat production goal for the 1953 harvest calls for 72 million seeded acres. This compares with 77.5 million acres for the 1952 crop, the 1947-51 average of 78 million and a record of 83.9 million in 1949. With average yields, the 72 million acre goal would result in a crop of about 1,080 million bushels. A crop of this size with the prospective larger carry-over of old wheat would result in record supplies for the 1953-54 marketing year. The first estimate of the 1953 winter wheat crop will be made in December 1952. Lack of rainfall in September and early October has been unfavorable for fall seeding, particularly in the southern Grain Plains and part of the Pacific Northwest.

In some years growers have exceeded the goals. Assuming average yields, the total supply of wheat would be increased by about 15 million bushels for each additional million acres seeded. In late June, the Secretary of Agriculture announced that, in view of the uncertainty of world conditions, there would be no wheat acreage allotments or controls for the 1953 crop. Since domestic disappearance in the 1953-54 marketing year is not likely to vary much from that estimated for 1952-53, based on average growing conditions, supplies available for export and carry-over may total nearly 1 billion bushels.

FRUIT

Demand for fruit in 1953 will be about the same as, or a little stronger than, in 1952. With average weather, production of deciduous fruits is likely to be moderately larger than the relatively small 1952 crop. Production of citrus fruits is likely to be somewhat larger than it was in 1952. Grover prices may not be greatly different from prices in 1952.

Although consumer demand for fresh fruit during most of 1953 and demand of processors for fruit for canning in 1953 may be stronger than in 1952, export demand for deciduous fruits is not expected to be as strong as in 1952. Exports of citrus, much of which usually goes to Canada, may be as large as in 1952.

No export-payment programs such as those in operation in 1951-52, are contemplated for apples, pears, and dried prunes in the 1952-53 season. Smaller quantities of these fruits are expected to be available for export in 1952-53 than a year earlier. An export-payment program has been announced for 1952-53-pack raisins.

Among fruits usually imported in large volume, imports of bananas in 1953 are expected to be as large as in 1952. Imports of fresh apples from Canada may be considerably larger than the relatively small volume in 1952. Receipts of canned pineapple and pineapple juice are expected to continue at or near the levels of 1952.

Production of deciduous fruits in 1952 is nearly one-tenth smaller than the relatively large 1951 crop. During the fall and winter of 1952-53, supplies of apples, pears, and cranberries probably will not be as large as a year earlier. But supplies of fresh grapes will be somewhat larger. Grower prices for apples and cranberries are expected to be higher this fall than in the same season of 1951, while prices for pears and grapes may be lower.

The 1952 crop of almonds, filberts, pecans, and walnuts is expected to be about 7 percent smaller than the 1951 crop but 12 percent above the 1941-50 average. Although imports of cashews probably will be about as large in 1952-53 as in 1951-52, Imports of Brazil nuts, most of which have already arrived, are considerably smaller. Hence, the outlook is for smaller total supplies of tree nuts in 1952-53 than a year earlier. Grower prices for almonds and pecans may average higher in 1952 than in 1951 and those for walnuts about the same. Prices for filberts have started the season at about the same level as a year earlier.

Production of citrus fruits is expected to be larger in 1952-53 than in 1951-52. An increase in oranges more than offsets a decrease in grapefruit. Packers' stocks of canned citrus juices will be smaller at the start of the new canning season this fall, and stocks of frozen orange concentrate also may be smaller. Grower prices for the 1952-53 citrus crop probably will not be greatly different from prices in 1951-52.

The 1952-53 pack of canned fruits is expected to be about one-tenth smaller than the 1951-52 pack. But with increased carry-over stocks, total supplies will be about as large as in 1951-52. The 1951-52 pack of canned citrus juices was down considerably from the 1950-51 pack. In 1952-53, output of canned citrus juices, especially grapefruit juice and blended orange and grapefruit juice, is expected to be moderately larger than in 1951-52. Output of frozen fruits (excluding juices) was a little smaller in 1952 than in 1951; but production of frozen fruit juices, especially frozen orange concentrate, set a new record. Larger output of both frozen fruits and fruit juices seems probable in 1953. Although total production of dried fruits in 1952-53 is still uncertain, depending upon production of raisins, it is expected to be at least as large as in 1951-52.

COMMERCIAL TRUCK CROPS

For Fresh Market

Continued strong demand for fresh vegetables in 1953 is expected on the basis of the continued high employment and income forecast for next year. Total production of truck crops for the fresh market in 1953 may be larger than in 1952 when unfavorable weather in some areas cut acreage and yields and caused alternate periods of glut and scarcity and sharp variations in prices. In that event, prices received by farmers and prices at retail will average somewhat lower than in 1952.

Aggregate tonnage indicated for fresh market this fall is 3 percent larger than that produced last fall, and 8 percent more than the 10-year average. Larger fall crops of carrots, cabbage, celery, cucumbers, eggplant, lettuce, green peas and green peppers more than offset smaller crops of lima beans, snap beans, cauliflower, spinach and tomatoes.

For Commercial Processing

Consumer demand for commercially canned and frozen vegetables is expected to be as strong in 1953 as in 1952. Current stocks and anticipated 1952 packs of commercially canned and frozen vegetables are reasonably well balanced in general to meet continued strong demand till the 1953 packs become available. Processors in 1953 probably will seek at least as large a total pack as in 1952.

With few exceptions, the 1952 production of processing crops is indicated to be close to, or even in excess of, the volume suggested in the goals. Indicated production is slightly below the goal for green peas for processing, moderately below for tomatoes, and considerably below for beets. Processor demand for acreage and tonnage of tomatoes and beets next year probably will be stronger than in 1952, but may be less strong for spinach, sweet corn, and lima beans.

POTATOES AND SWEETPOTATOES

Demand for potatoes and sweetpotatoes in 1953 is expected to be about as strong as in 1952. Prices for the 1953 crop of potatoes probably will not be as high as those for the 1952 crop, however, because farmers are likely to increase acreage in response to the relatively high prices of this year, with a larger crop as the probable result. A larger potato crop would be produced in 1953 even if acreages planted are about the same as in 1952, but yields are more in line with the average for the last 3 years. Yields in 1952 were below those of 1950 and 1951 in many of the Intermediate (summer-harvest) States and in Northeastern States generally, but were higher in most of the Western States.

Early shipments of potatoes from the Late States this year have been heavier than in recent years, coming into markets in which supplies have been generally short and prices relatively high. Therefore, a relatively light supply of old-crop potatoes is indicated for spring, 1953, which may be at least partly offset by a likely increase in supplies of 1953-crop early potatoes.

In mid-September this year, prices received by farmers for potatoes averaged \$2.22 per bushel, 80 percent above the \$1.23 average a year earlier, and far above the previous record high September price of \$1.76 in 1919. This high price level largely reflects the short summer supply this year. Although prices have moderated considerably as shipments from Late States reached heavy volume, they are expected to remain relatively high. The crop in the Late States is nearly 23 million bushels, or 9 percent larger than last year.

With this year's crop of sweetpotatoes about 9 percent larger than last year's small crop, prices for this crop probably will average not quite as high as for the 1951 crop. As usual the slackening in prices which occurs during the most active harvest period will be followed by rising prices.

Sweetpotato production is likely to increase moderately in 1953, but probably not enough to reduce prices to farmers much below the high levels of recent years. The continued tight labor situation and the attractiveness of alternative crops, particularly cotton, is likely to prevent any great increase in production over the small 1952 acreage.

DRY BEANS AND PEAS

Demand for dry edible beans and field peas in 1953 is expected to be as strong as in 1952. However, with smaller supplies than a year earlier in prospect until the 1953 crop can be harvested, prices through early 1953 will continue higher than those for the 1951 crop. Largely because of the higher prices expected, the rate of domestic consumption of dry beans during the 1952 crop marketing year may be slightly lower than the high rate of recent years, and exports are expected to fall off sharply.

The 1952 crops of dry beans and peas are currently estimated at 93 and 72 percent, respectively, of the 1951 crops.

COTTON

The U. S. supply of cotton in the 1952-53 crop year is estimated to be slightly smaller than in 1951-52, but disappearance will decline even more and the carry-over on August 1, 1953 will probably be somewhat larger than a year earlier.

Disappearance of cotton in 1952-53 will probably be around 14 million bales, about 800 thousand bales smaller than last season. It is difficult to precisely estimate disappearance at this time, but current indications are that it will be within 600 thousand bales of the above estimate. Since 1930-31, disappearance has exceeded 14 million bales in only 5 years, 3 of which occurred since 1948-49.

Domestic consumption of cotton in 1952-53 will probably be about 9.5 million bales (plus or minus 300 thousand bales), moderately more than the 9.2 million bales of last season. This estimate is based on the prospect that economic activity and purchasing power will increase moderately over 1951-52 and assumes that international tensions will show no significant change. The daily rate of cotton consumption declined during the first few months of 1951-52 in contrast to the usual seasonal rise, but is expected to show a more normal upward trend during the current season. The rate during August 1952 was 99 percent of the rate in the same month of 1951. Trade reports indicate that substantial orders of gray goods for future delivery have been received by mills and that the excessive inventories of textiles, of 1951-52, have been reduced to more normal levels. The moderate but steady increase in gray goods prices since June also indicates that the textile market has strengthened.

If there is no material change in the international situation, exports of cotton from the U. S. in 1952-53 are expected to drop from the 1951-52 level of 5.5 million bales to around 4.5 million bales (plus or minus 300 thousand bales). Stocks at the beginning of the current season in foreign, non-communist countries totaled about 2.2 million bales more

than a year earlier. Production in this group of countries is expected to be about the same as that in 1951-52 and consumption probably will be no higher than last season. In general, the world situation indicates that the foreign carry-over on August 1, 1953, will be somewhat larger than that of a year earlier.

The U. S. supply of cotton in the 1952-53 crop year is estimated at about 17.2 million running bales, about 200 thousand bales smaller than the 1951-52 supply. This includes a crop of 14.3 million running bales (14.4 million 500-pound bales), a beginning carry-over of 2.7 million, estimated imports of about 150 thousand, plus an allowance for "city crop" (rebaled samples).

The 1952 crop, as estimated on October 1, is 800 thousand bales smaller than the 1951 crop. This decrease was primarily caused by a smaller acreage and droughts which increased abandonment. However, for the 3 Western States--California, Arizona, and New Mexico--both acreage and production are the largest on record.

Through September 30, 40 percent of the indicated crop had been ginned compared with 36.2 percent by this date in 1951 and an average of 50.1 percent for 1935-39. There has been a tendency for the crop to be harvested later in recent seasons than prewar, due in part to the shift of cotton production to the Western States where picking and ginning do not start as early in the year as in the rest of the Cotton Belt.

Prices received by farmers during the 1951-52 season averaged 37.88 cents per pound and 109 percent of the parity prices. The farm price was about 2 cents below the average for the preceding season. The average price received by farmers in mid-September was 5.4 cents above the price of a year earlier. The average 10-spot market price for Middling 15/16 inch cotton from August 1 to October 10, 1952, ranged between 37.02 and 40.76 cents per pound compared with a range of 34.10 to 37.08 cents in the same period of 1951.

WOOL

A slightly larger world supply of wool is expected for the 1952-53 season, with all of the increase in crossbred and carpet types. Production probably will be up slightly from 1951-52, and stocks, including a substantial quantity of unsold 1951-52 clip wool in South America, are somewhat larger than last year.

Wool production in the United States next year probably will be about the same as this year. The rate of sheep and lamb slaughter this year indicates that stock sheep numbers at the beginning of next year are likely to be about the same as this year.

Mill use of apparel wool in the United States has increased gradually since early this year, when it reached the low of a decline which began in early 1951. The upward trend reflects a strengthening of mill demand associated with an upturn in sales and orders and reduced inventories between mill and consumer. However, it is unlikely that consumption of apparel wool during the second half of 1952 will be sufficient to bring the total for the year up to that for 1951.

With economic activity and consumer purchasing power likely to remain high during 1953, mill consumption next year is likely to exceed slightly that of this year, if defense requirements do not decline.

World consumption of wool in 1951 is estimated to have been below current production for the first time since World War II. It was also the lowest since World War II. Indications are that consumption during the first half of this year was somewhat below a year earlier but above that of the last half of 1951.

The world synthetic fiber industry plans a substantial increase in productive capacity for the manufacture of staple fiber. Expansion plans for rayon and acetate staple fiber call for an increase in capacity by late 1953 of almost 50 percent over 1951 output. Producers in the United States are planning an increase of almost 60 percent for rayon and acetate staple. Furthermore, the United States segment of the industry is planning for sufficient capacity for the newer synthetic staple fibers to permit production late next year at a rate equivalent to about 4.5 times 1951 output.

Prices of fine wool at the opening sales of the season in Australia were slightly below the closing prices of last June but somewhat above the low levels of last March. Prices since the opening have shown a slow upward trend.

Prices at Boston for most domestic shorn wools in early October were below pre-Korean levels and below the corresponding loan values. Prices received by growers for shorn wool this year have averaged below the national average loan value of 54.2 cents, grease basis, each month since the 1952 support program became effective. A substantial quantity of shorn wool has gone under loan. Prices received this year probably will average at about the national average loan value. This is well below the record of 99.5 cents for the 1951 clip and slightly below the average of 57.3 cents in 1950. Growers' returns next year probably will not be greatly different from this year.

TOBACCO

Cigarette consumption in 1953 seems likely to rise to a new high and consequently, a firm domestic demand is expected for flue-cured and Burley--the major cigarette types. This year's output of cigarettes probably will be near 430 billion compared with 419 billion in 1951. About 95 percent will be consumed in the United States and by overseas forces and most of the remainder will be exported.

This year's total exports of unmanufactured tobacco probably will be 10 or 15 percent smaller than the 522 million pounds (declared weight) in 1951. In fiscal 1952-53 tobacco exports will be lower than in 1951-52 but for calendar year 1953 they are likely to show a small relative gain over the total for calendar year 1952. Flue-cured tobacco accounts for around four-fifths of total tobacco exports. The decline in this year's exports is principally attributable to the limitation on tobacco imports by the United Kingdom and other sterling area countries, which are striving to reverse the drain on their gold and dollar reserves.

The 1952-53 supply of flue-cured is greater than the 1951-52 level because of the increase in carry-over. The marketing of the 1952 crop is well along. Through October 10, the average price received was 50.8 cents per pound compared with 51.8 cents in the comparable period of last season.

Flue-cured growers voted overwhelmingly in July to continue marketing quotas in effect on the next three crops. As derived from the proclaimed marketing quota, the 1953 acreage allotment for flue-cured is about one-eighth smaller than this year's allotment. The support level for the 1953 flue-cured crop probably will be slightly lower than the 50.6 cent level applicable to this year's crop.

The 1952-53 Burley supply is larger than that for 1951-52. The 1952 crop auctions are expected to begin about December 1. The support level is 49.5 cents per pound--slightly below last season's. The average price received by Burley growers last season was 51.2 cents per pound. The Secretary of Agriculture will proclaim the 1953 marketing quota this fall and Burley growers will vote in a referendum on the continuation of quotas for 3 years, 1 year, or to reject quotas.

The 1953 supply of Maryland tobacco will be at a high level because of the large carry-over. The 1952 crop--about one-sixth smaller than last year's--will go to auction next spring and summer. Government price support will not be available since Maryland growers rejected a marketing quota on their 1952 crop. Maryland growers will vote on October 29 to decide whether a marketing quota is to be in effect on their 1953 crop.

The 1952-53 supplies of fire-cured and dark air-cured will be smaller than their 1951-52 levels. Auctions for some of these types usually begin in late November and for others, early in January. The 1952 crop support levels are 37.1 and 33.0 cents per pound for fire-cured and dark air-cured, respectively. The principal domestic outlet for fire-cured is snuff and for dark air-cured, chewing tobacco. Output of these products in 1952 is down slightly from 1951. Relatively little change in the consumption of these products is expected in 1953. Exports of fire-cured tobacco declined quite sharply in 1952. Marketing quotas are in effect on these types.

The 1952-53 supply of continental filler is below the 1951-52 level because of the sharp drop in Pennsylvania filler production. The 1952-53 supply of binder types also will be lower than that of 1951-52. Quotas on the 1952 crops of these types were disapproved by growers and Government price supports cannot be made available when the crops are marketed this fall and winter. On October 29 growers of these types will vote with respect to quotas on their 1953 crops. If quotas are in effect, Government price support at 90 percent of parity is mandatory. Cigar consumption in 1953 seems likely to show some further small gain. The 1952 cigar consumption in the United States and by overseas forces is estimated at near 6 billion--about 1/4 percent larger than in 1951.

OFFICIAL BUSINESS

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FOREST PRODUCTS 1/

Demand and prices for lumber in 1953 are not expected to change materially from 1952 levels. Industrial and military expansion programs now nearing completion will probably level off during the year. Residential construction activity and a continuing high level of industrial and agricultural production are expected to sustain over-all demand.

Domestic consumption of lumber in 1952 is currently estimated at 36 billion board feet or about 4 percent less than consumption in 1951. The Wholesale Price Index issued by the Bureau of Labor Statistics indicates little change in the average price of lumber during the year. In fact, the over-all lumber index showed no change during the first half of 1952, although there has been a decline in lumber prices for hardwoods and for some grades of softwoods. The wholesale price index for lumber is still about three times the 1937-38 prewar average.

Imports in 1952 are estimated at 2.3 billion board feet or about the same as in 1951. On the other hand, exports during 1952 are expected to increase slightly, as domestic producers attempt to expand their foreign markets in response to decreased demand in this country, and may reach a level in excess of 1 billion board feet. About 400 million board feet of lumber may be added to stocks in 1952.

Pulpwood consumption in 1952 has been slightly higher than in 1951, averaging about 2.2 million cords per month for the first half year--about 1 percent more than the monthly average in 1951. Further increases in consumption are likely in 1953, and this is expected to maintain or possibly increase present price levels.

Demand and prices for most other forest products in 1953, including veneer logs, mine timbers, poles, piling, etc., are not expected to change appreciably from 1952 levels.